

# CANADA<sup>1</sup>

## MINIMUM WAGE

Minimum wage rates are set in each province and territory. On July 1, 1996, the federal government passed legislation to align the federal minimum wage rate with the provincial/territorial rates. Previously, at the federal level, minimum wage rates for federal jurisdiction employees (who comprise about 8 percent of the Canadian labor force) were established by ministerial order. It was a common practice among most federal jurisdiction employers (industries such as banking, shipping, air transport, broadcasting, railways, grain elevators and pipelines) to use the higher provincial or territorial minimum-wage rates. Between 1986 and 1995, the federal hourly minimum wage was unchanged at 4.00 Canadian dollars (C\$) or 2.68 U.S. dollars (US\$).<sup>2</sup>

Typically, a provincial or territorial board or commission has the power to make general or specific orders that prescribe that no employee within its scope is to earn less than a particular hourly rate. All workers covered by the empowering legislation are entitled to the minimum wage protection. Some categories of youth employment are excluded from minimum wage coverage in some provinces. For example, Ontario and Alberta have a lower minimum wage rate for youths than for adults.<sup>3</sup> Individual provincial and territorial minimum wages generally cover all employees. In Ontario, Quebec, and Newfoundland, the general minimum wage orders are supplemented by special orders covering particular industries or occupations.

Minimum wage rates for the provinces currently range from C\$5.00 to C\$7.15 per hour or about US\$3.35 to US\$4.80 (see table on next page). Standard work hours vary from province to province, but in all the limit is 40 to 48 a week with 24 hours of rest.<sup>4</sup>

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<sup>1</sup>Unless noted otherwise, information presented here is from American Embassy—Ottawa, unclassified telegram No. 693 (March 1, 1999).

<sup>2</sup> The exchange rate in March 1999 was approximately US\$0.67 to C\$1.00.

<sup>3</sup> U. S. State Department, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.

<sup>4</sup> U. S. State Department, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.

### Hourly Minimum Wage Rates, by Province

Province/Rate and Date Adopted	Province/Rate and Date Adopted
<u>Alberta</u> C\$5.00 (US\$3.35) April 1, 1992	<u>Nova Scotia</u> C\$5.35 (US\$3.58) October 1, 1996 C\$5.50 (US\$3.69) February 1, 1997
<u>British Columbia</u> C\$7.00 (US\$4.69) October 1, 1996 C\$7.15 (US\$4.79) April 1, 1998	<u>Ontario</u> C\$6.85 (US\$4.59) January 1, 1995
<u>Manitoba</u> C\$5.40 (US\$3.62) January 1, 1996	<u>Prince Edward Island</u> C\$5.15 (US\$3.45) September 1, 1996 C\$6.40 (US\$4.29) September 1, 1997
<u>New Brunswick</u> C\$5.68 (US\$3.81) July 1, 1996	<u>Quebec</u> C\$6.70 (US\$4.49) October 1, 1996 C\$6.85 (US\$4.59) October 1, 1997
<u>Newfoundland</u> C\$5.00 (US\$3.35) September 1, 1996 C\$5.25 (US\$3.52) April 1, 1997	<u>Saskatchewan</u> C\$5.60 (US\$3.75) December 1, 1996

### PREVAILING OR AVERAGE WAGE

Average hourly wages in the clothing industry (Canadian Standard Industrial Classification product code categories 243-249), excluding overtime, for Canada as a whole were C\$9.92 in November 1998 and C\$10.18 in November 1997. Hourly earnings including overtime were, respectively, C\$10.08 and C\$10.38 for the same months.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Canada for production workers in the manufacturing sector and in the apparel and leather footwear industries. Earnings data are only pay for time worked and do not include paid leave, bonuses, and other benefits paid directly to the employee or the cost of social insurance programs.<sup>5</sup> Average hours worked per week by all employees were 38.5 in all manufacturing, 35.7 in apparel, and 36.6 in footwear and leather goods for the years 1990 through 1997.<sup>6</sup> Current average

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<sup>5</sup>U.S. Department of Labor, Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1975-1997, Supplementary Tables for BLS News Release USDL 98-376*, September 16, 1998, p.1-2.

<sup>6</sup>International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 734.

earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

#### Average Hourly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (C\$; 1990=100)		
	(C\$)	(US\$)	(C\$)	(US\$)	(C\$)	(US\$)	Manuf.	Apparel	Footwear
1990	14.2	12.16	8.6	7.37	9.4	8.06	100	100	100
1991	14.9	12.97	8.8	7.68	9.6	8.38	99	97	97
1992	15.4	12.72	9.0	7.45	9.3	7.69	101	98	92
1993	15.7	12.17	9.0	6.98	9.6	7.44	101	96	94
1994	16.0	11.69	9.2	6.74	10.0	7.32	103	98	97
1995	16.2	11.80	9.3	6.78	10.1	7.36	102	97	96
1996	16.7	12.26	10.4	7.63	11.5	8.43	104	107	108
1997	16.9	12.17	10.6	7.65	11.3	8.16	103	107	104

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 885.

## NON-WAGE BENEFITS

Government-mandated non-wage benefits for workers in the apparel and footwear industries are the same as for other workers in manufacturing. These benefits may vary somewhat from province to province since workers in these industries are covered by provincial labor law and social programs. Workers are eligible as taxpayers for government-provided health care, and they contribute to employment insurance and pension funds overseen by the federal government. They are also entitled to paid holidays and vacations.

A U.S. Social Security Administration survey<sup>7</sup> elaborates on five non-wage benefit programs which employers in Canada are required to participate in for their employees: (1) old age, disability, and death insurance, first established in 1927, for which the insured pays 3 percent of earnings and the employer pays 3 percent of payroll;<sup>8</sup> (2) sickness and maternity benefits, first appearing in 1977, for which the insured persons in most provinces do not make any contributions (in Alberta and British Columbia, they pay from 0.2 percent to 2.0 percent of taxable income) and the share paid by employers varies by province from 1 percent to 4.5 percent of payroll, with the government paying the bulk of the cost through provincial revenues including block grants from the federal government; (3) work injury insurance, which is a compulsory insurance system with a public carrier, for which employers pay the whole cost which varies

<sup>7</sup> Social Security Administration, *Social Security Programs Throughout the World* (Washington: Government Printing Office, August 1997), pp. 64-67.

<sup>8</sup> For both the universal and income-tested program benefits (i.e., not earning related), the government pays the whole cost.

according to risk; (4) unemployment insurance system, which dates from 1940, for which the insured pay 2.9 percent earnings and the employer pays 4.13 percent of the insured's earnings; and (5) family allowances program, started in 1944, which provides eligible families a refundable tax credit based on their income and is funded the government.

## **ASSESSING BASIC NEEDS: THE POVERTY LINE**

Statistics Canada does not at present calculate a poverty line based on a market basket approach. Instead, for purposes of evaluating social programs, Canada uses something called a "low income cutoff"—LICO. This is based on the percentage of income used by the average family for food, shelter, and clothing and is converted using a complex formula that accounts for family and community size, among other things. Discussion with provincial governments on adopting an agreed market-basket approach is underway but remains controversial.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization<sup>9</sup> reports for 1981 that 17.1 percent of the Canadian population was below the poverty line of 50 percent of median disposable income.<sup>10</sup> A more recent study, using the same methods, reports for 1991 that 11.7 percent of the Canadian population was below the poverty line of 50 percent of median disposable income.<sup>11</sup>

## **MEETING WORKERS' NEEDS**

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Canada meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that a family in Canada whose only employed member earns the minimum wage would be considered below the poverty line.<sup>12</sup> The U.S. Embassy was not able to identify any studies on a "living wage" or, rather, its Canadian translation: "a minimum viable income."

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<sup>9</sup> Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 73.

<sup>10</sup> The estimate is referenced as originating from Brigitte Buhmann, Lee Rainwater, Guenther Schmaus, and Timothy M. Smeeding, "Equivalence Scales, Well-Being, Inequality, and Poverty: Sensitivity Estimates Across Ten Countries using the Luxembourg Income Study (LIS) Database," *Review of Income and Wealth*, Series 34, No. 2 (June 1988), p. 131.

<sup>11</sup> Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Table 2.

<sup>12</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.